
State:	District of Columbia	Filing Company:	ACE American Insurance Company
TOI/Sub-TOI:	H15G Group Health - Hospital/Surgical/Medical Expense/H15G.001 Any Size Group		
Product Name:	Associated Rate Filing for Group Supplemental Medical Expense Policy 14-AH-2011328		
Project Name/Number:	Group Supplemental Medical/14-AH-2011328		

Filing at a Glance

Company:	ACE American Insurance Company
Product Name:	Associated Rate Filing for Group Supplemental Medical Expense Policy 14-AH-2011328
State:	District of Columbia
TOI:	H15G Group Health - Hospital/Surgical/Medical Expense
Sub-TOI:	H15G.001 Any Size Group
Filing Type:	Rate
Date Submitted:	05/05/2014
SERFF Tr Num:	ACEH-129530707
SERFF Status:	Pending State Action
State Tr Num:	
State Status:	
Co Tr Num:	14-AH-2011328 (R)
Implementation	On Approval
Date Requested:	
Author(s):	Karen Moore, Valeria Porterfield, Mary Sindaco, Maureen Ortega
Reviewer(s):	John Morgan (primary), Alula Selassie
Disposition Date:	
Disposition Status:	
Implementation Date:	
State Filing Description:	

State: District of Columbia **Filing Company:** ACE American Insurance Company
TOI/Sub-TOI: H15G Group Health - Hospital/Surgical/Medical Expense/H15G.001 Any Size Group
Product Name: Associated Rate Filing for Group Supplemental Medical Expense Policy 14-AH-2011328
Project Name/Number: Group Supplemental Medical/14-AH-2011328

General Information

Project Name: Group Supplemental Medical
Project Number: 14-AH-2011328
Requested Filing Mode: Review & Approval

Status of Filing in Domicile: Authorized

Date Approved in Domicile:

Domicile Status Comments: Pennsylvania, our domiciliary state, does not require the filings of forms intended for issue in the Commonwealth of Pennsylvania (PA Notice 96-1).

Market Type: Group

Group Market Size: Small and Large

Explanation for Other Group Market Type: Labor Unions

Explanation for Combination/Other:

Submission Type: New Submission

Group Market Type: Employer, Association, Discretionary, Trust, Non Employer Group, Other

Overall Rate Impact:

Filing Status Changed: 05/13/2014

State Status Changed:

Deemer Date:

Created By: Mary Sindaco

Submitted By: Mary Sindaco

Corresponding Filing Tracking Number: ACEH-129412734

PPACA: Not PPACA-Related

PPACA Notes: null

Include Exchange Intentions:

No

Filing Description:

The purpose of this memorandum is to meet the rate filing requirements for the District of Columbia. ACE American Insurance Company is filing the rating methodology for a group supplemental medical expense policy. This filing is not intended for any other purpose.

This policy provides reimbursement for out-of-pocket expenses incurred but not paid by the {Insured/Covered Person}'s underlying Major Medical Plan on account of deductibles, co-pays or co-insurance amounts and other gaps in coverage. Benefits are limited to the difference between the amount paid by the {Insured/Covered Person}'s Major Medical Plan and the actual Covered Expenses incurred.

The associated form filing (ACEH-129412734) has been reviewed by Colin Johnson but withdrawn pending your review of this associated rate filing.

Company and Contact

Filing Contact Information

Karen Moore, Accident & Health Product Manager
436 Walnut Street
WA09D
Philadelphia, PA 19106
karen.moore@acegroup.com
215-640-5134 [Phone]
215-640-5548 [FAX]

State: District of Columbia **Filing Company:** ACE American Insurance Company
TOI/Sub-TOI: H15G Group Health - Hospital/Surgical/Medical Expense/H15G.001 Any Size Group
Product Name: Associated Rate Filing for Group Supplemental Medical Expense Policy 14-AH-2011328
Project Name/Number: Group Supplemental Medical/14-AH-2011328

Filing Company Information

ACE American Insurance
Company
PO Box 1000
436 Walnut Street
Philadelphia, PA 19106
(215) 640-5123 ext. [Phone]

CoCode: 22667
Group Code: 626
Group Name: ACE Group
FEIN Number: 95-2371728

State of Domicile:
Pennsylvania
Company Type:
State ID Number:

Filing Fees

Fee Required? No
Retaliatory? No
Fee Explanation:

State:	District of Columbia	Filing Company:	ACE American Insurance Company
TOI/Sub-TOI:	H15G Group Health - Hospital/Surgical/Medical Expense/H15G.001 Any Size Group		
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Rate/Rule Schedule

Item No.	Schedule Item Status	Document Name	Affected Form Numbers (Separated with commas)	Rate Action	Rate Action Information	Attachments
1		Supplemental Medical Rate Manual	AH-40504-DC, AH-40505, AH-40506, AH-40507, AH-40508, AH-40508-DC	New		Supplemental Medical_Washington DC_May 2014_ratemanual.pdf,

ATTACHMENT A
ACE AMERICAN INSURANCE COMPANY
GROUP SUPPLEMENTAL MEDICAL EXPENSE POLICY
FORM AH-40504-DC

TABLE OF CONTENTS

SECTION	SUBJECT	PAGE(S)
A	Table of Contents	A.1
EXHIBIT I	Expenses, Profit and Anticipated Loss Ratio	I.1
EXHIBIT II	Monthly Claim Costs - Inpatient & Outpatient Benefits	II.1
EXHIBIT III	Monthly Claim Costs - Additional Benefits	III.1

EXHIBIT I
ACE AMERICAN INSURANCE COMPANY
GROUP SUPPLEMENTAL MEDICAL EXPENSE POLICY
FORM AH-40504-DC

EXPENSES, PROFIT AND ANTICIPATED LOSS RATIO

	% of Gross Premium
Commissions	25.0%
Administrative + Taxes	17.5%
Profit + Contingencies	7.5%
Total	50.0%
Anticipated Loss Ratio	50.0%

EXHIBIT II
ACE AMERICAN INSURANCE COMPANY
GROUP SUPPLEMENTAL MEDICAL EXPENSE POLICY
FORM AH-40504-DC

MONTHLY CLAIM COSTS - INPATIENT & OUTPATIENT

Maximum Benefit		Adult			Child		
Inpatient	Outpatient	Inpatient	Outpatient I	Outpatient II	Inpatient	Outpatient I	Outpatient II
\$500	\$250	\$3.04	\$4.71	\$4.49	\$2.24	\$2.82	\$2.69
1,000	500	5.19	8.83	8.40	3.79	5.15	4.91
1,500	750	6.75	12.07	11.50	4.86	6.92	6.59
2,000	1,000	8.10	14.68	13.98	5.65	8.26	7.87
2,500	1,250	9.14	16.92	16.11	6.08	9.36	8.91
3,000	1,500	9.97	18.86	17.96	6.37	10.26	9.77
3,500	1,750	10.77	20.56	19.58	6.66	10.99	10.46
4,000	2,000	11.48	22.02	20.97	6.91	11.57	11.02
4,500	2,250	12.94	24.40	23.24	7.84	12.72	12.11
5,000	2,500	13.54	26.05	24.81	8.05	13.40	12.76
5,500	2,750	14.08	27.47	26.16	8.24	13.96	13.30
6,000	3,000	15.39	29.98	28.55	9.04	15.14	14.42
6,500	3,250	15.88	31.31	29.82	9.20	15.66	14.92
7,000	3,500	16.33	32.47	30.93	9.35	16.09	15.33
7,500	3,750	16.74	33.49	31.89	9.48	16.46	15.68
8,000	4,000	17.95	35.99	34.28	10.18	17.59	16.75
8,500	4,250	18.33	36.96	35.20	10.30	17.93	17.08
9,000	4,500	18.69	37.82	36.02	10.41	18.23	17.36
9,500	4,750	19.02	38.60	36.76	10.52	18.48	17.60
10,000	5,000	19.33	39.28	37.41	10.61	18.71	17.82

EXHIBIT III
ACE AMERICAN INSURANCE COMPANY
GROUP SUPPLEMENTAL MEDICAL EXPENSE POLICY
FORM AH-40504-DC

Monthly Claim Costs - Additional Benefits

Doctor's Office Visits

Maximum 6 Visits Per Year

Monthly Claim Cost per \$10

Adult	\$2.550
Child	\$1.647

Ambulance Benefit

Maximum 3 Runs Per Year

Monthly Claim Cost per \$100

Adult	\$0.165
Child	\$0.096

State:	District of Columbia	Filing Company:	ACE American Insurance Company
TOI/Sub-TOI:	H15G Group Health - Hospital/Surgical/Medical Expense/H15G.001 Any Size Group		
Product Name:	Associated Rate Filing for Group Supplemental Medical Expense Policy 14-AH-2011328		
Project Name/Number:	Group Supplemental Medical/14-AH-2011328		

Supporting Document Schedules

Satisfied - Item:	Actuarial Justification
Comments:	Policy acknowledged.
Attachment(s):	Supplemental Medical_Washington DC_May 2014 v2.pdf
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Memorandum
Comments:	
Attachment(s):	Supplemental Medical_Washington DC_May 2014 v2.pdf
Item Status:	
Status Date:	

Bypassed - Item:	Actuarial Memorandum and Certifications
Bypass Reason:	Not applicable to this product.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Certificate of Authority to File
Bypass Reason:	Not applicable for this filing. Filing submitted by insurance company employee.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Consumer Disclosure Form
Bypass Reason:	N/A
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Cover Letter All Filings
Comments:	
Attachment(s):	DC - Group Supplemental Medical Expense RATE FILING Cover Letter.pdf
Item Status:	
Status Date:	

State:	District of Columbia	Filing Company:	ACE American Insurance Company
TOI/Sub-TOI:	H15G Group Health - Hospital/Surgical/Medical Expense/H15G.001 Any Size Group		
Product Name:	Associated Rate Filing for Group Supplemental Medical Expense Policy 14-AH-2011328		
Project Name/Number:	Group Supplemental Medical/14-AH-2011328		

Bypassed - Item:	DISB Actuarial Memorandum Dataset
Bypass Reason:	Not applicable to this product.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
Bypass Reason:	N/A - new product
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
Bypass Reason:	Not applicable to this product.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Unified Rate Review Template
Bypass Reason:	Not applicable to this product.
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	May 13 Response Letter from Actuary
Comments:	
Attachment(s):	Supplemental Accident Sickness_Washington DC_May 2014_cover letter.pdf
Item Status:	
Status Date:	

ACTUARIAL RATE JUSTIFICATION

ACE AMERICAN INSURANCE COMPANY District of Columbia Group Supplemental Medical Expense Policy Policy Form: AH-40504

1. SCOPE AND PURPOSE

The purpose of this memorandum is to meet the rate filing requirements for the District of Columbia. ACE American Insurance Company is filing the rating methodology for a group supplemental medical expense policy. This filing is not intended for any other purpose.

2. DESCRIPTION OF BENEFITS

This policy provides reimbursement for out-of-pocket expenses incurred but not paid by the {Insured/Covered Person}'s underlying Major Medical Plan on account of deductibles, co-pays or co-insurance amounts and other gaps in coverage. Benefits are limited to the difference between the amount paid by the {Insured/Covered Person}'s Major Medical Plan and the actual Covered Expenses incurred.

“Covered Expenses” means expenses actually incurred by or on behalf of {an Insured/a Covered Person} as a result of a Covered Accident or Sickness for services or supplies covered under the {Insured/Covered Person}'s Major Medical Plan. The Covered Expense must be Medically Necessary for the condition being treated. A Covered Expense is deemed to be incurred on the date such service or supply that gave rise to the expense or the charge was rendered or obtained.

Benefits provided under this policy include the following:

- Hospital Expense Benefit
- Ambulance Benefit
- Doctor's Office Visits
- Outpatient Benefit I
- Outpatient Benefit II

Refer to the policy form for additional details.

3. RENEWABILITY CLAUSE

This form is classified as Optionally Renewable.

4. APPLICABILITY

This is a new filing. The insurer anticipates renewal business under this form.

5. MORBIDITY

Claim costs for medical benefits were developed from Milliman's Health Cost Guidelines and can be found in **Exhibits II and III**.

6. MORTALITY

Mortality is not an assumption used in developing the premium rates of this product.

7. PERSISTENCY

Persistency assumptions were not used in the pricing of this product.

8. EXPENSES

ACE's anticipated expenses for this policy are 50%. The expected breakdown by expense component is as follows:

Commissions	25.0%
Administrative	15.0%
Premium Tax	2.5%
<u>Profit & Contingencies</u>	<u>7.5%</u>
Total Retention	50.0%

9. MARKETING METHOD

This product is sold through licensed group insurance brokers, agents, and third party administrators.

10. UNDERWRITING

ACE American Insurance Company would review the policyholder, plan design, and prior overall experience. Information would generally be obtained from the plan sponsor and the administrator of the program.

An underwriter will adjust rates if, in their opinion, rates are expected to generate inadequate or excessive premium relative to the anticipated experience.

Judgment must be applied to the final result, considering other underwriting information. If considered appropriate, case-specific information can replace any assumptions made in this rate filing. In general, underwriting adjustments may be in order with respect to any items having an impact on the risk and requiring interpretive judgment, and are subject to the discretion of the underwriter.

11. PREMIUM CLASSES

The following rate classifications are applicable:

Two Tier

- Primary Insured
- Family

Three Tier

- Primary Insured
- Primary Insured + 1
- Family

Four Tier

- Primary Insured
- Primary Insured + Spouse
- Primary Insured + Child(ren)
- Family

Rates can vary by plan design (i.e., number of covered services, annual maximums per covered service), age/gender composition, dependent composition, industry, tier, and employer contribution level.

12. ISSUE AGE RANGE

Rates are on an age banded basis.

13. AREA FACTORS

Area is explicitly reflected in the base claim costs and applies on a statewide basis.

14. PREMIUM MODALIZATION RULES

Premiums are calculated on a monthly mode basis. Other modes equal the number of months times the monthly premium.

15. TREND ASSUMPTIONS

Premium rates assume an annual trend up to 4%.

16. ANTICIPATED LOSS RATIO

The anticipated loss ratio for all policy years is assumed to be 50%.

17. CONTINGENCY & RISK MARGINS

The contingency, risk, and profit margin is 7.5% of premium.

18. LIFETIME LOSS RATIO

The lifetime loss ratio is assumed to be 50%.

19. PROPOSED EFFECTIVE DATE

The proposed effective date for these rates is July 1, 2014 or when approved.

20. CERTIFICATION

I, Alan Finkelstein am an employee of ACE American Insurance Company. I am a member of the American Academy of Actuaries and meet the Qualifications Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I hereby certify, to the best of my knowledge and judgment, that this rate filing is in compliance with the applicable laws of the state of Washington D.C., the rules of the Department of Insurance, and complies with Actuarial Standards of Practice No. 8, "Regulatory Filings for Health Plan Entities," as adopted by the Actuarial Standards Board, December, 2005 and the benefits provided are reasonable in relation to the proposed premiums. I also attest that in my opinion, the rates are not excessive, inadequate or unfairly discriminatory.

Respectfully submitted,

A handwritten signature in cursive script that reads "Alan Finkelstein".

Alan Finkelstein, FSA, MAAA, FLMI, MBA, CPCU
Assistant Vice President
ACE American Insurance Company
May 12, 2014

ACTUARIAL RATE JUSTIFICATION

ACE AMERICAN INSURANCE COMPANY District of Columbia Group Supplemental Medical Expense Policy Policy Form: AH-40504

1. SCOPE AND PURPOSE

The purpose of this memorandum is to meet the rate filing requirements for the District of Columbia. ACE American Insurance Company is filing the rating methodology for a group supplemental medical expense policy. This filing is not intended for any other purpose.

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This policy provides reimbursement for out-of-pocket expenses incurred but not paid by the {Insured/Covered Person}'s underlying Major Medical Plan on account of deductibles, co-pays or co-insurance amounts and other gaps in coverage. Benefits are limited to the difference between the amount paid by the {Insured/Covered Person}'s Major Medical Plan and the actual Covered Expenses incurred.

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Mortality is not an assumption used in developing the premium rates of this product.

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ACE's anticipated expenses for this policy are 50%. The expected breakdown by expense component is as follows:

Commissions	25.0%
Administrative	15.0%
Premium Tax	2.5%
<u>Profit & Contingencies</u>	<u>7.5%</u>
Total Retention	50.0%

9. MARKETING METHOD

This product is sold through licensed group insurance brokers, agents, and third party administrators.

10. UNDERWRITING

ACE American Insurance Company would review the policyholder, plan design, and prior overall experience. Information would generally be obtained from the plan sponsor and the administrator of the program.

An underwriter will adjust rates if, in their opinion, rates are expected to generate inadequate or excessive premium relative to the anticipated experience.

Judgment must be applied to the final result, considering other underwriting information. If considered appropriate, case-specific information can replace any assumptions made in this rate filing. In general, underwriting adjustments may be in order with respect to any items having an impact on the risk and requiring interpretive judgment, and are subject to the discretion of the underwriter.

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The following rate classifications are applicable:

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Rates are on an age banded basis.

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18. LIFETIME LOSS RATIO

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19. PROPOSED EFFECTIVE DATE

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20. CERTIFICATION

I, Alan Finkelstein am an employee of ACE American Insurance Company. I am a member of the American Academy of Actuaries and meet the Qualifications Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I hereby certify, to the best of my knowledge and judgment, that this rate filing is in compliance with the applicable laws of the state of Washington D.C., the rules of the Department of Insurance, and complies with Actuarial Standards of Practice No. 8, "Regulatory Filings for Health Plan Entities," as adopted by the Actuarial Standards Board, December, 2005 and the benefits provided are reasonable in relation to the proposed premiums. I also attest that in my opinion, the rates are not excessive, inadequate or unfairly discriminatory.

Respectfully submitted,

A handwritten signature in cursive script that reads "Alan Finkelstein".

Alan Finkelstein, FSA, MAAA, FLMI, MBA, CPCU
Assistant Vice President
ACE American Insurance Company
May 12, 2014

DC

May 5, 2014

Re: ACE American Insurance Company
FEIN#: 95-2371728 NAIC#: 626-22667
Company Filing Number: 14-AH-2011328 (R)
SERFF Tracking Number: ACEH-129530707

Dear Commissioner,

The purpose of this memorandum is to meet the rate filing requirements for the District of Columbia. ACE American Insurance Company is filing the rating methodology for a group supplemental medical expense policy. This filing is not intended for any other purpose.

This policy provides reimbursement for out-of-pocket expenses incurred but not paid by the {Insured/Covered Person}'s underlying Major Medical Plan on account of deductibles, co-pays or co-insurance amounts and other gaps in coverage. Benefits are limited to the difference between the amount paid by the {Insured/Covered Person}'s Major Medical Plan and the actual Covered Expenses incurred.

The associated form filing (ACEH-129412734) has been reviewed by Colin Johnson but withdrawn pending your review of this associated rate filing.

We appreciate the time spent on this filing and trust that you will find everything in order. Please do not hesitate to contact me directly at 215.640.5134, if you have any questions or require additional information.

Regards,

Karen N. Moore



ace usa

ACE USA
Accident & Health
P.O. Box 1000
436 Walnut Street – WA 09D
Philadelphia, PA 19106

215-640-4295 *tel*
215-640-5548 *fax*

alan.finkelstein@acegroup.com
www.acegroup.com

Alan Finkelstein FSA, MAAA, FLMI, MBA, CPCU
Assistant Vice President

May 13, 2014

Mr. John Morgan
Department of Insurance, Securities and Banking
810 First Street, NE, Suite 701
Washington, DC 20002

Re: ACE American Insurance Company
Group Supplemental Medical Expense Policy - Form: AH-40504
SERFF tracking number: ACEH-129530707

Dear Mr. Morgan,

This letter is in response to the SERFF objection dated May 12th. I will address those objections in your letter that are specific to the actuarial memorandum and rate manual. By bullet point:

Objection 1 – *“Please give more details about the potential customers to whom the policies are marketed? As referenced in the Actuarial Memorandum, who is the: (1) Policyholder, (2) Plan Sponsor and (3) Administrator.”*

Response: The target market is medium to large employers that sponsor major medical plans with high out-of-pocket maximums.

- (1) Policyholder – Employer or Trust
- (2) Plan Sponsor – Employer
- (3) Administrator – ACE-contracted TPAs.

Objection 2 - *“What does this plan cover in terms of “other gaps” in coverage? Does this term include, for example, (1) services or supplies not covered by the underlying major medical policy or (2) expense for covered items in excess of the limits?”*

Response: This plan covers only out-of-pocket expenses (deductible, coinsurance, copayments) for benefits covered under the major medical policy.

- (1) No
- (2) No

Supplemental Medical Expense
Page Two

Objection 3 – *“Please give more specific details about the underwriting and the relationship this has with the marketing.”*

Response: Marketing representatives/partners present the opportunities to ACE and ACE underwriting department performs all underwriting functions. Marketing representatives/partners do not have underwriting authority.

Objection 4 – *“Since this is a new product, there are, of course, no current policyholders. Is it replacing another of the Company’s products? Please indicate the expected premium impact on DC policyholders who do elect to purchase this coverage. Is this product anticipated to fill a void or otherwise alter the DC market?”*

Response: This product is not replacing another ACE product. This product is to be offered in addition to other ACE products.

Objection 5 – *“Please break Administrative expenses and taxes into greater detail. For instance Administrative can be broken into categories such as claims settlement, etc. while taxes can be broken down into premium taxes, income taxes and other taxes and assessments.”*

Response: Done. Please refer to the revised actuarial memorandum and **Exhibit I** in the revised rate manual.

Objection 6 – *“Commissions are shown at 25%. In subsequent years, what do you anticipate for renewal commissions and do you expect total retention for a renewing policy to decrease from 50%?”*

Response: It is anticipated that this product will be sold with level commissions (same at renewal as first year). While commissions and expenses may change due to negotiation, it is not planned for total retention to reduce at renewal.

We hope everything is satisfactory and look forward to an approval on this rate filing.

Sincerely:

A handwritten signature in cursive script that reads "Alan Finkelstein".

Alan Finkelstein

Attachment
cc: Karen Moore

State:	District of Columbia	Filing Company:	ACE American Insurance Company
TOI/Sub-TOI:	H15G Group Health - Hospital/Surgical/Medical Expense/H15G.001 Any Size Group		
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Project Name/Number:	Group Supplemental Medical/14-AH-2011328		

Superseded Schedule Items

Please note that all items on the following pages are items, which have been replaced by a newer version. The newest version is located with the appropriate schedule on previous pages. These items are in date order with most recent first.

Creation Date	Schedule Item Status	Schedule	Schedule Item Name	Replacement Creation Date	Attached Document(s)
05/05/2014		Supporting Document	Actuarial Justification	05/13/2014	Supplemental Medical_Washington DC_May 2014.pdf (Superceded)
05/05/2014		Supporting Document	Actuarial Memorandum	05/13/2014	Supplemental Medical_Washington DC_May 2014.pdf (Superceded)

ACTUARIAL RATE JUSTIFICATION

ACE AMERICAN INSURANCE COMPANY District of Columbia Group Supplemental Medical Expense Policy Policy Form: AH-40504

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Refer to the policy form for additional details.

3. RENEWABILITY CLAUSE

This form is classified as Optionally Renewable.

4. APPLICABILITY

This is a new filing. The insurer anticipates renewal business under this form.

5. MORBIDITY

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Mortality is not an assumption used in developing the premium rates of this product.

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ACE's anticipated expenses for this policy are 50%. The expected breakdown by expense component is as follows:

Commissions	25.0%
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Total Retention	50.0%

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10. UNDERWRITING

ACE American Insurance Company would review the policyholder, plan design, and prior overall experience. Information would generally be obtained from the plan sponsor and the administrator of the program.

An underwriter will adjust rates if, in their opinion, rates are expected to generate inadequate or excessive premium relative to the anticipated experience.

Judgment must be applied to the final result, considering other underwriting information. If considered appropriate, case-specific information can replace any assumptions made in this rate filing. In general, underwriting adjustments may be in order with respect to any items having an impact on the risk and requiring interpretive judgment, and are subject to the discretion of the underwriter.

11. PREMIUM CLASSES

The following rate classifications are applicable:

Two Tier

- Primary Insured
- Family

Three Tier

- Primary Insured
- Primary Insured + 1
- Family

Four Tier

- Primary Insured
- Primary Insured + Spouse
- Primary Insured + Child(ren)
- Family

Rates can vary by plan design (i.e., number of covered services, annual maximums per covered service), age/gender composition, dependent composition, industry, tier, and employer contribution level.

12. ISSUE AGE RANGE

Rates are on an age banded basis.

13. AREA FACTORS

Area is explicitly reflected in the base claim costs and applies on a statewide basis.

14. PREMIUM MODALIZATION RULES

Premiums are calculated on a monthly mode basis. Other modes equal the number of months times the monthly premium.

15. TREND ASSUMPTIONS

Premium rates assume an annual trend up to 4%.

16. ANTICIPATED LOSS RATIO

The anticipated loss ratio for all policy years is assumed to be 50%.

17. CONTINGENCY & RISK MARGINS

The contingency, risk, and profit margin is 7.5% of premium.

18. LIFETIME LOSS RATIO

The lifetime loss ratio is assumed to be 50%.

19. PROPOSED EFFECTIVE DATE

The proposed effective date for these rates is July 1, 2014 or when approved.

20. CERTIFICATION

I, Alan Finkelstein am an employee of ACE American Insurance Company. I am a member of the American Academy of Actuaries and meet the Qualifications Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I hereby certify, to the best of my knowledge and judgment, that this rate filing is in compliance with the applicable laws of the state of Washington D.C., the rules of the Department of Insurance, and complies with Actuarial Standards of Practice No. 8, "Regulatory Filings for Health Plan Entities," as adopted by the Actuarial Standards Board, December, 2005 and the benefits provided are reasonable in relation to the proposed premiums. I also attest that in my opinion, the rates are not excessive, inadequate or unfairly discriminatory.

Respectfully submitted,



Alan Finkelstein, FSA, MAAA, FLMI, MBA, CPCU
Assistant Vice President
ACE American Insurance Company
May 2, 2014

ACTUARIAL RATE JUSTIFICATION

ACE AMERICAN INSURANCE COMPANY District of Columbia Group Supplemental Medical Expense Policy Policy Form: AH-40504

1. SCOPE AND PURPOSE

The purpose of this memorandum is to meet the rate filing requirements for the District of Columbia. ACE American Insurance Company is filing the rating methodology for a group supplemental medical expense policy. This filing is not intended for any other purpose.

2. DESCRIPTION OF BENEFITS

This policy provides reimbursement for out-of-pocket expenses incurred but not paid by the {Insured/Covered Person}'s underlying Major Medical Plan on account of deductibles, co-pays or co-insurance amounts and other gaps in coverage. Benefits are limited to the difference between the amount paid by the {Insured/Covered Person}'s Major Medical Plan and the actual Covered Expenses incurred.

"Covered Expenses" means expenses actually incurred by or on behalf of {an Insured/a Covered Person} as a result of a Covered Accident or Sickness for services or supplies covered under the {Insured/Covered Person}'s Major Medical Plan. The Covered Expense must be Medically Necessary for the condition being treated. A Covered Expense is deemed to be incurred on the date such service or supply that gave rise to the expense or the charge was rendered or obtained.

Benefits provided under this policy include the following:

- Hospital Expense Benefit
- Ambulance Benefit
- Doctor's Office Visits
- Outpatient Benefit I
- Outpatient Benefit II

Refer to the policy form for additional details.

3. RENEWABILITY CLAUSE

This form is classified as Optionally Renewable.

4. APPLICABILITY

This is a new filing. The insurer anticipates renewal business under this form.

5. MORBIDITY

Claim costs for medical benefits were developed from Milliman's Health Cost Guidelines and can be found in **Exhibits II and III**.

6. MORTALITY

Mortality is not an assumption used in developing the premium rates of this product.

7. PERSISTENCY

Persistency assumptions were not used in the pricing of this product.

8. EXPENSES

ACE's anticipated expenses for this policy are 50%. The expected breakdown by expense component is as follows:

Commissions	25.0%
Administrative and taxes	17.5%
<u>Profit & Contingencies</u>	<u>7.5%</u>
Total Retention	50.0%

9. MARKETING METHOD

This product is sold through licensed group insurance brokers, agents, and third party administrators.

10. UNDERWRITING

ACE American Insurance Company would review the policyholder, plan design, and prior overall experience. Information would generally be obtained from the plan sponsor and the administrator of the program.

An underwriter will adjust rates if, in their opinion, rates are expected to generate inadequate or excessive premium relative to the anticipated experience.

Judgment must be applied to the final result, considering other underwriting information. If considered appropriate, case-specific information can replace any assumptions made in this rate filing. In general, underwriting adjustments may be in order with respect to any items having an impact on the risk and requiring interpretive judgment, and are subject to the discretion of the underwriter.

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May 2, 2014